

**RECOMMENDATIONS TO IMPROVE THE
PROCESS GOVERNING TRANSFERS OUT OF
MENTAL HEALTH ACCOUNTS**

**CALIFORNIA MENTAL HEALTH
PLANNING COUNCIL**

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Executive Summary

County governments are able to transfer up to ten percent of funds deposited in mental health accounts to other accounts in their local health and welfare trust funds established by realignment. The California Mental Health Planning Council (CMHPC) conducted a study of these transfers made in fiscal years 1994-95 through 1997-98 to ascertain whether county governments were complying with the statutory requirements governing these transfers. Based on our study, we make the following findings and recommendations:

Finding: Most counties are not complying with the statutory requirement to document that their decisions to transfer funds out of the mental health account were based on the most cost-effective use of resources to maximize client outcomes.

Recommendations

1. Counties proposing to transfer funds out of mental health accounts should include the following analysis in their documentation of “the most cost-effective use of resources to maximize client outcomes:”
 - A. Show what the funds proposed to be transferred could buy in the mental health system, including the following information:
 - ◆ number of staff that could be hired;
 - ◆ services that could be provided;
 - ◆ number of clients that could be served;
 - ◆ outcomes which could be attained; and
 - ◆ impact on other public systems (e.g., justice, social services, health, and children’s services).
 - B. Show what the funds proposed to be transferred could buy in the service system proposed to receive the funds, including the following information:
 - ◆ number of staff that could be hired;
 - ◆ services that could be provided;
 - ◆ number of clients that could be served;
 - ◆ outcomes which could be accomplished; and
 - ◆ impact on other public systems (e.g., justice, social services, health, and children’s services).
 - C. Compare the potential use of funds in the mental health system with the proposed use of funds in the other realignment account to determine which is most cost-effective relative to the anticipated outcomes to be achieved.
2. The CMHPC should repeat this survey on transfers out of mental health accounts in three years to determine if counties making account transfers are using the model methodology. If not, the CMHPC should consider proposing legislation to place the methodology in statute.

Finding: County governments are not providing adequate notice about hearings concerning proposed transfers out of mental health accounts.

Recommendations

1. The CMHPC should provide consultation and technical assistance to local mental health boards in counties that have routinely made transfers out of their mental health accounts to increase their awareness of the account transfers. The technical assistance would familiarize them with the timing of account transfers during the fiscal year and how the counties provide public notice of proposed account transfers.
2. Counties proposing to transfer funds out of mental health accounts should directly notify MHB/Cs of public hearings and should provide MHB/Cs with the analysis using the model methodology for analyzing the cost effectiveness of proposed transfers. This analysis should be provided to MHB/Cs at least one month prior to the public hearing on the proposed transfer.
3. The CMHPC should work with each MHB/C in those counties to urge them to advocate for the use of the model methodology and to recommend that they testify at public hearings on proposed transfers out of mental health accounts.

Background

The California Mental Health Planning Council (CMHPC) is mandated in state and federal law to advocate for persons with serious mental illnesses. Specifically, Welfare and Institutions Code (WIC) Section 5772(b) authorizes the CMHPC to review and assess all components of the mental health system. In addition, WIC Section 5772(l) authorizes the CMHPC to assess the effects of realignment periodically. Realignment, which was enacted by Chapter 89, Statutes of 1991, refers to realigning the state and local relationships regarding the funding and primary programmatic responsibility of various health and human services programs. Through realignment, over \$700 million in funds from the General Fund were replaced with dedicated revenue from an increase in the sales tax and vehicle license fees. Realignment reorganized authority and control over resources in the mental health system, creating a single system of care at the county level and giving counties control over all the resources.

Each county has a local health and welfare trust fund into which the realignment revenues are deposited. According to a distribution formula in the statute, revenues are allocated among the various accounts in the local health and welfare trust fund, which include the mental health account, the social services account, and the health account. WIC Section 17600.20 gives the counties some flexibility to make limited transfers among the accounts in the local health and welfare trust fund. The provisions that relate to mental health funding follow:

17600.20. (a) Any county or city or city and county may reallocate money among accounts in the local health and welfare trust fund, not to exceed 10 percent of the amount deposited in the account from which the funds are reallocated for that fiscal year.

(c) (1) A county or city or city and county shall, at a regularly scheduled public hearing of its governing body, document that any decision to make any substantial change in its allocation of mental health, social services, or health trust fund moneys among services, facilities, programs, or providers as a result of reallocating funds pursuant to subdivision (a), (b), or (d) was based on the most cost-effective use of available resources to maximize client outcomes.

Methodology

In the fall of 1997, the CMHPC sent a survey to the Chief Administrative Officer in every county that had transferred funds out of the mental health account in fiscal years 1994-95, 1995-96, 1996-97, or 1997-98. Because of difficulty obtaining complete information from some counties, the data collection process was not completed until the fall of 1998. For each fiscal year, the survey asked questions about the following topics:

- ◆ the amount of the transfer out of the mental health account;
- ◆ the account to which the funds were transferred;
- ◆ whether the transfer was documented at a regularly scheduled public hearing;
- ◆ whether the mental health board or commission was notified; and

- ◆ how the county documented that the transfer was based on the most cost-effective use of resources to maximize client outcomes.

Results

Table 1 provides a statewide summary of all the transfers out of the mental health accounts for fiscal years 1994-95 through 1997-98.¹ A table listing all the transfers out of mental health account by county for each fiscal year studied is provided as an appendix to this report.

Table 1: Summary of Transfers out of Mental Health Accounts

| | Fiscal Year 1994-95 | Fiscal Year 1995-96 | Fiscal Year 1996-97 | Fiscal Year 1997-98 |
|--|---------------------|---------------------|---------------------|---------------------|
| Number of Transfers Approved | 10 | 9 | 14 | 10 |
| Actual Number of Transfers | 10 | 9 | 13 | 10 |
| Funds Transferred to Health Acct. | \$4,648,491 | \$2,304,110 | \$4,377,797 | \$6,615,167 |
| Funds Transferred to Social Services Acct. | 27,125,256 | 3,811,262 | 15,353,770 | 4,692,264 |
| Total Funds Transferred | \$31,773,747 | \$6,115,372 | \$19,731,567 | \$11,307,431 |

Finding: Most counties are not complying with the statutory requirement to document that their decisions to transfer funds out of the mental health account were based on the most cost-effective use of resources to maximize client outcomes.

WIC Section 17600.20(c)(1) imposes the following requirement on counties:

A county...shall at a regularly scheduled public hearing of its governing body, document that any decisions to make any substantial change in its allocation of mental health, social services, or health trust fund moneys among services, facilities, programs, or providers as a result of reallocating funds pursuant to subdivision (a), (b), (c), or (d) was based on the most cost-effective use of available resources to maximize client outcomes.

Based on the responses to our survey, we assessed the degree to which counties were complying with the statutory requirement that any decision to make a substantial change in the allocation of funds among accounts be based on the most cost-effective use of available resources to maximize client outcomes. Table 2 below summarizes the adequacy of the analyses done by the counties. We assessed the adequacy of the analysis using the following criteria:

¹ Based on data available from the Office of the State Controller for fiscal year 1994-95 through 1996-97, funds were also transferred into the mental health accounts. In fiscal year 1994-95, Orange and Santa Clara counties transferred a total of \$6.1 million from their health accounts into the mental health accounts. In fiscal year 1995-96, Colusa, Orange, Santa Clara, and Yolo counties transferred a total of \$8.1 million from their health accounts into the mental health accounts. In fiscal year 1996-97, Santa Clara County transferred \$1.1 million from the health account to the mental health account. The Office of the State Controller has not yet published the data for fiscal year 1997-98.

- ◆ **Above average:** The county showed quantitatively what the funds could purchase in the service system to which funds were to be transferred and what the adverse consequences to the county would be if those services were not delivered.
- ◆ **Average:** The county showed the magnitude of need in the service system to which funds were to be transferred and suggested what the adverse consequences to the county would be if those services were not delivered. Some of these counties also documented the loss of federal funds if these transferred funds were not available as match.
- ◆ **Below Average:** Counties mentioned that mental health clients also benefit from the services delivered by the service system to which the funds were to be transferred.
- ◆ **Not acceptable:** These counties generally explained that funds are reallocated annually based on the availability of funds in the mental health accounts and caseload and expenditure needs of other realignment accounts.

Table 2: Adequacy of Cost-effectiveness Analysis for Funds Transferred Out of Mental Health Accounts

| Adequacy of Analysis | Fiscal Year 1994-95 | | Fiscal Year 1995-96 | | Fiscal Year 1996-97 | | Fiscal Year 1997-98 | | Total | |
|----------------------|---------------------|-----|---------------------|-----|---------------------|-----|---------------------|-----|-------|-----|
| | # | % | # | % | # | % | # | % | # | % |
| Above Average | 1 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 3 |
| Average | 0 | 0 | 2 | 22 | 2 | 14 | 2 | 20 | 6 | 14 |
| Below Average | 1 | 10 | 1 | 11 | 1 | 7 | 3 | 30 | 6 | 14 |
| Not Acceptable | 8 | 80 | 4 | 45 | 10 | 72 | 4 | 40 | 26 | 60 |
| No Answer | 0 | 0 | 2 | 22 | 1 | 7 | 1 | 10 | 4 | 9 |
| Total | 10 | 100 | 9 | 100 | 14 | 100 | 10 | 100 | 43 | 100 |

None of the counties performed the complete analysis described below in the “Recommendations” section. Out of the 43 transfers that were proposed during the four fiscal years studied, the analysis for only one of the hearings, 3 percent, was rated above average. The analysis for 6 out of 43 hearings, 14 percent, was deemed average. For another 6 out of 43 hearings, 14 percent, the analysis was below average. By far the largest proportion of hearings, 26 out of 43, 60 percent, were not acceptable.

Counties doing the best job with this analysis documented what the transferred funds would purchase in the other service system and suggested what the adverse consequences would be of not spending the funds in that service system. However, no county showed what those funds could purchase in the mental health system and what the adverse consequences of not providing those mental health services would be.

Moreover, counties did not seem to consider unmet need for mental health services to be a viable reason for not transferring funds. In six of the counties, mental health board members and Alliance for Mentally Ill members testified at hearings about the unmet need for services. However, this testimony did not stop the county supervisors from voting for the transfer.

The transfer of funds out of mental health accounts has serious consequences for mental health clients because reduced funding translates into reduced services. Over the four fiscal years studied, at least 465 to 1,400 mental health clinicians could have been hired to provide services to persons with serious mental illnesses with the funds transferred out of mental

health accounts.² Advocates or policymakers could not weigh this opportunity cost because these counties did not perform the analysis required by statute.

Several factors contribute to the incomplete analyses of proposed fund transfers. First, the statute does not provide any guidance concerning what constitutes an adequate analysis. Moreover, no state agency has provided counties with any model or guidelines for doing the cost-effectiveness analysis required by statute. Another problem is that the client outcomes referred to in the statute have not yet been fully established for all the service systems funded by the health and welfare accounts. Thus, counties do not have outcome data to use in the analysis. In addition, studies have not yet been done to show the relationship between expenditures and outcomes.

Recommendations

1. Counties proposing to transfer funds out of mental health accounts should include the following analysis in their documentation of “the most cost-effective use of resources to maximize client outcomes:”
 - A. Show what the funds proposed to be transferred could buy in the mental health system, including the following information:
 - ◆ number of staff that could be hired;
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 - ◆ impact on other public systems (e.g., justice, social services, health, and children’s services).
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 - C. Compare the potential use of funds in the mental health system with the proposed use of funds in the other realignment account to determine which is most cost-effective relative to the anticipated outcomes to be achieved.
2. The CMHPC should repeat this survey on transfers out of mental health accounts in three years to determine if counties making account transfers are using the model

² The loss of staff was determined by totaling for the four years studied the amounts transferred by counties whose analyses of cost effectiveness were deemed unacceptable or who did not answer the question. Salary costs were obtained from a wage survey of county mental health staff conducted by the Department of Mental Health to estimate costs for implementing performance outcome measures. The lower figure of 465 staff is based on the figure of \$40.00/hour in high-wage counties. The higher figure of 1,400 is based on the figure of \$13.25/hour for low-wage counties. Benefits were estimated at 30 percent of annual salary.

methodology. If not, the CMHPC should consider proposing legislation to place the methodology in statute.

Finding: County governments are not providing adequate notice about hearings concerning proposed transfers out of mental health accounts.

WIC Section 17600.20(c)(1), cited in the previous finding, requires that a governing body hold a public hearing concerning proposals to transfer funds among accounts in the local health and welfare trust fund. Government Code Section 54954.2 specifies the type of notice that must be provided:

At least 72 hours before a regular meeting, the legislative body of the local agency...shall post an agenda containing a brief general description of each item of business to be transacted or discussed at the meeting....

The California Attorney General's Office in its publication, *Open Meeting Laws*, provides the following description of the purpose of providing notice about public meetings:

The obvious purpose of an agenda requirement is to make certain that interested members of the public are properly notified about the future business of their legislative body. To the extent that background information is provided, viewpoints are exchanged, and perhaps ideas begin to crystallize in the minds of members of the legislative body without the participation of interested members of the public who did not receive notice of such discussions through the published agenda, the Brown Act's policy of involving members of the public in the information acquisition and deliberative phases of the decision-making process would have been defeated. (pg. 23)

WIC Section 5608(c) also requires that local mental health directors keep MHB/Cs informed about developments that affect the provision of services.

The local director of mental health services shall...recommend to the governing body, after consultation with the advisory board, the provision of services, establishment of facilities, contracting for services or facilities or other matters necessary or desirable in accomplishing the purposes of this division.

Mental health boards and commissions (MHB/Cs) need to be notified about proposed transfers out of mental health accounts in order to fulfill their statutory duties. Relevant sections from the MHB/C statutory mandate, WIC Section 5604.2, are provided below:

- ◆ review and evaluate the community's mental health needs, services, facilities, and special problems, including assessing the impact of realignment on services delivered to clients and on the local community;
- ◆ advise the board of supervisors and the local mental health director on any aspect of the local mental health program; and
- ◆ submit an annual report to the governing body on the needs and performance of the county's mental health system.

Table 3 below summarizes the type of public notice that county governments provided in advance of hearings on proposed transfers out of mental health accounts. Only 30 percent of the hearings held during the four fiscal years studied had acceptable public notices. Public notice for eight of the 43 hearings, 19 percent, specifically mentioned that a hearing was scheduled to consider a proposed transfer out of the mental health account. For another 4 out of 43 hearings, 9 percent, the public notices indicated that a transfer was proposed among realignment accounts.

Table 3: Type of Public Notice Provided about Transfers Out of Mental Health Accounts

| Type of Notice | Fiscal Year | | | | Total | |
|---|-------------|----------|-----------|-----------|--------------------|---------------------|
| | 1994-95 | 1995-96 | 1996-97 | 1997-98 | Number of Hearings | Percent of Hearings |
| Specific notice of proposed transfer out of mental health account | 1 | 2 | 3 | 2 | 8 | 18.6% |
| Notice of proposed transfer among realignment accounts | 0 | 0 | 4 | 0 | 4 | 9.3% |
| Transfer out of mental health account approved; however, notice of proposed transfer was provided for a different account | 0 | 1 | 1 | 0 | 2 | 4.7% |
| General notice of county budget hearings | 4 | 3 | 5 | 4 | 16 | 37.2% |
| No documentation about type of hearing notice | 4 | 3 | 1 | 4 | 12 | 27.9% |
| No hearing held on proposed transfer | 1 | 0 | 0 | 0 | 1 | 2.3% |
| Total | 10 | 9 | 14 | 10 | 43 | 100.0% |

Over 40 percent of the hearings did not have acceptable public notices. Of these, 16 out of 43 hearings, 37 percent, only provided public notice of annual hearings on the county budget without reference to proposed account transfers. Another 2 hearings, 5 percent, provided notice about a proposed transfer out of the social services or health accounts and then approved transfers out of the mental health account. Thirty percent of the hearings could not be analyzed because counties did not provide the documentation requested concerning the public notices.

Another problem is that relying on the public notice requirements of the Brown Act means that advocates do not receive sufficient advance notice to allow them to organize themselves. Counties provided data on the amount of public notice for 29 of the 43 hearings that were held. For 14 of the 29 hearings, 48 percent, counties provided less than one-week notice. For 23 of the 29 hearings, 79 percent provided less than two weeks notice.

One of the main effects of inadequate public notice is that MHB/C members or other advocates testified at very few public hearings on proposed account transfers. Table 4 below shows that during the four fiscal years studied mental health advocates testified at an average of 14 percent of the hearings, with a range from 0 percent to 22 percent. The exact magnitude of this problem is difficult to document from our survey. Advocates may have received notice of hearings and chosen not to testify. In addition, the problem could be

overstated if counties did not provide complete documentation of all testimony at the hearings.

Table 4: Frequency of Testimony by Advocates at Public Hearings on Proposed Transfers Out of Mental Health Accounts

| Fiscal Year | Number of Hearings | Number of Times Advocates Testified | Percent of Hearings with Advocate Testimony |
|--------------|--------------------|-------------------------------------|---|
| 1994-95 | 10 | 0 | 0% |
| 1995-96 | 9 | 2 | 22% |
| 1996-97 | 14 | 3 | 21% |
| 1997-98 | 10 | 1 | 10% |
| Total | 43 | 6 | 14% |

One reason that MHB/C members did not testify at public hearings is that they were not directly notified about 28 percent of proposed transfers out of mental health accounts over the four-year period, as illustrated by Table 5 below. Interviews with mental health directors in some of the counties in which MHB/Cs were not notified about the proposed account transfers report that they were not directly involved in the process. The notice requirements for the account transfers were handled by the office of the Chief Administrative Officer (CAO).

Table 5: MHB/C Notification of Public Hearings

| | Fiscal Year | | | | Total | |
|--------------------|-------------|----------|-----------|-----------|-------------------|---------------------|
| | 1994-95 | 1995-96 | 1996-97 | 1997-98 | Number of Hearing | Percent of Hearings |
| MHB/C notified | 5 | 6 | 9 | 6 | 26 | 60.5% |
| MHB/C not notified | 4 | 3 | 3 | 2 | 12 | 27.9% |
| No documentation | 1 | 0 | 2 | 2 | 5 | 11.6% |
| Total | 10 | 9 | 14 | 10 | 43 | 100.0% |

One goal of realignment was to move budget and service priority decisions to the local level. County supervisors are closer to constituents and more accessible than are members of the Legislature, who made budget decisions prior to realignment. By not providing adequate public notice about proposed account transfers, this goal of realignment is thwarted because local advocates cannot advise the county supervisors on the issue. In some cases, these transfers might have been prevented if advocates had been able to engage in advocacy. When funds for mental health services are cut, counties' abilities to meet the service needs of persons with serious mental illnesses are reduced.

Recommendations

1. The CMHPC should provide consultation and technical assistance to local mental health boards in counties that have routinely made transfers out of their mental health accounts to increase their awareness of the account transfers. The technical assistance would familiarize them with the timing of account transfers during the fiscal year and how the counties provide public notice of proposed account transfers.
2. Counties proposing to transfer funds out of mental health accounts should directly notify MHB/Cs of public hearings and should provide MHB/Cs with the analysis using the model methodology for analyzing the cost effectiveness of proposed transfers. This analysis should be provided to MHB/Cs at least one month prior to the public hearing on the proposed transfer.

3. The CMHPC should work with each MHB/C in those counties to urge them to advocate for the use of the model methodology and to recommend that they testify at public hearings on proposed transfers out of mental health accounts.

APPENDIX
SUMMARY OF MENTAL HEALTH FUNDS TRANSFERRED
IN FISCAL YEARS 1994-95 THROUGH 1997-98

| County | Fiscal Year 1994-95 | | Fiscal Year 1995-96 | | Fiscal Year 1996-97 | | Fiscal Year 1997-98 | |
|--------------|------------------------|---------------------|------------------------|--------------------|------------------------|---------------------|------------------------|------------------------------|
| | Account Transferred to | Amount Transferred | Account Transferred to | Amount Transferred | Account Transferred to | Amount Transferred | Account Transferred to | Amount Approved for Transfer |
| Amador | Social Services | \$57,753 | Social Services | \$55,975 | Social Services | \$62,664 | none | \$0 |
| Calaveras | none | 0 | Social Services | 68,738 | Social Services | 78,111 | none | 0 |
| Fresno | Social Services | 1,892,005 | Social Services | 2,284,699 | Social Services | 2,266,529 | Social Services | 2,393,264 |
| Humboldt | none | 0 | none | 0 | none | 0 | Social Services | 250,000 |
| Kern | Social Services | 860,175 | none | 0 | Social Services | 1,300,000 | Social Services | 700,000 |
| | | | | | | | Health | 700,000 |
| Inyo | none | 0 | none | 0 | Social Services | 36,125 | Social Services | 90,000 |
| Lake | none | 0 | Health | 36,749 | Health | 109,347 | Social Services | 100,000 |
| Lassen | Social Services | 74,758 | none | 0 | none | 0 | none | 0 |
| Los Angeles | Social Services | 22,300,000 | none | 0 | Social Services | 10,000,000 | none | 0 |
| Merced | Social Services | 450,000 | none | 0 | none | | none | 0 |
| Sacramento | Health | 2,630,430 | Health | 1,500,000 | Health | 3,115,182 | Health | 3,225,167 |
| San Joaquin | Social Services | 620,565 | Social Services | 620,565 | Social Services | 248,286 | | |
| | Health | 767,361 | Health | 767,361 | Health | 400,000 | Health | 1,500,000 |
| Shasta | none | 0 | Social Services | 251,000 | none | 0 | Social Services | 195,000 |
| Siskiyou | none | 0 | Social Services | 117,216 | Social Services | 98,055 | none | 0 |
| Sonoma | Social Services | 870,000 | none | 0 | none | 0 | none | 0 |
| Sutter-Yuba | none | 0 | none | 0 | Social Services | 300,000 | none | 0 |
| Tulare | none | 0 | Social Services | 413,069 | Social Services | 964,000 | Social Services | 964,000 |
| Ventura | Health | 1,250,700 | none | 0 | Health | 753,268 | Health | 1,190,000 |
| Total | | \$31,773,747 | | \$6,115,372 | | \$19,731,567 | | \$11,307,431 |